



BATTLE CREEK STATE BANK

P.O. Box 308 • Battle Creek, Nebraska 68715

Phone 402-675-2035

Doerr
(D. Promant)

ROGER L. BRESTEL
President
TERRY W. SMITH
Vice President
DAVID J. SMEJKAL
Commercial Loan Officer
MITZI BREDEHOFT
Cashier

Mr. John F. Carter
Regional Director, FDIC
25 Jessie St. at Ecker Sq., Ste 2300
San Francisco, CA 94105

Re: Comment Opposing Wal-Mart's Application to Establish an Industrial Loan Company

Dear Director Carter:

As a small community banker I would like to go on the record in opposition to the FDIC granting Wal-Mart's application for obtaining deposit insurance and an industrial bank charter.

Wal-Mart's application represents an extremely dangerous mixing of banking and commerce, which is expressly prohibited by the Gramm – Leach Bliley Act which was passed in 1999. This Act was passed in reaction to the recent financial and banking crises. Considering the size and magnitude of Wal-Mart and the fact that the majority of their revenue is generated from Non-financial activity, allowing Wal-Mart to operate as financial “middle-man” would expose the Federal Reserve and ultimately the American taxpayer to an untold risk and liability.

It is extremely probable that Wal-Mart will be unable to comply with the Community Reinvestment Act of 1977 (CRA). The CRA requires banking firms to respond to the Credit and Banking needs of their entire market. Being that Wal-Mart generates the majority of their cash flow as a retailer, and have an extensive history of eliminating other retailers when they enter a new market, Wal-Mart will have a vested interest mitigating retail competition. Which is vastly different than providing for the Credit & Banking needs of the small business that operate in the given market area, thereby causing the conflict of interest which may prevent them from complying fully with the Community Reinvestment Act of 1977.

Wal-Mart has a history of destabilizing communities. It is well documented that Wal-Mart has a propensity to undercut competition when it enters a new market. Once their competition has been eliminated they are free to raise prices being the only retailer left in business. For example, Wal-Mart is able to lower their price for a car battery while raising their price for hair care products, thereby putting the local automotive parts store out of business. Once their competition is removed they are free to raise the price on their car batteries. Will they be allowed to do the same with the rates paid on a certificate of deposit, or a personal loan? The answer to that question is an unequivocal YES.

There are other areas of concern with Wal-Marts application for an Industrial Loan Company; Wal-Mart has a history that indicates a deficiency when it comes to their general character and fitness of managing a bank. Wal-Mart has a vast history of founded allegations of gender discrimination, exploitation of undocumented workers and other labor law violations. Their history clearly demonstrates an unwillingness to comply with federal law, bringing into question their ability to comply with Federal Banking laws.

Finally, there already exists competition in the banking and financial service industry. For example, within roughly 20 miles of Norfolk and a population of roughly 30,000 people, there are approximately 19 financial institutions (15 banks and 4 credit unions) which do not include Farm Credit Services or Insurance Companies that now provide financial services. I am sure that this very representative of most other areas of the country.

In conclusion, small community banks provide a valuable service to the communities that we are in. The small community bank personally knows and understands the people that live in that community. If Wal-Mart is allowed to establish an Industrial Loan Company the long and vast history of the local community bank will come to an end. What we will be left with is an Industrial bank that lacks community awareness.

Sincerely,

A handwritten signature in cursive script, appearing to read "Roger Brestel".

Roger Brestel

President, Battle Creek State Bank